

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6360

BILL NUMBER: SB 16

DATE PREPARED: Nov 18, 2001

BILL AMENDED:

SUBJECT: Rainy Day Fund loan for missed November 2001 taxes.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes a loan from the Rainy Day Fund for the taxing units in Porter County that will experience a budget shortfall as the result of the bankruptcy of a steel manufacturer located in the county. The bill applies only to the taxpayer's missed November 2001 installment. The bill also provides that the loan is interest free and must be repaid over ten years.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: This bill permits qualified taxing units in Porter County facing budgetary shortfalls because of a taxpayer's bankruptcy to apply for a loan from the Counter-Cyclical Revenue and Economic Stabilization Fund (Rainy Day Fund). The bill limits the total amount of the loans to \$10.3 M. No interest is to be charged on the loans. The bill requires that the loans be repaid in 10 years. The balance of the Rainy Day Fund as of June 30, 2001, was \$526 M and is estimated to be \$526 M at the end of FY 2002.

The Rainy Day Fund will suffer a loss of interest income on the outstanding loan balance. Based on the current six month U.S. Treasury Bill interest rate (1.88%), the state could forgo earnings of approximately \$96,000 in FY 2002, \$178,000 in FY 2003, and \$159,000 in FY 2004 if all of the qualifying units receive the maximum loan amounts. The total interest over the 10 year payback period is estimated at \$1.0 M. The loss of interest earnings will reduce the amount of funds available for transfer from the Rainy Day Fund to the state General Fund in FY 2002 and FY 2003 and the Property Tax Replacement Fund in years after.

Explanation of Local Expenditures:

Explanation of Local Revenues: This provision would allow Porter County taxing units to apply for a loan before January 1, 2002, with repayment within 10 years. In order for the taxing unit to qualify, the bill would

require an expectation of *continued* significant revenue shortfalls due to a steel manufacturer's default on November 2001 tax payments. The loan would be made on December 17, 2001. The amount of an individual taxing unit's loan would be limited to the amount of the unit's share of the tax payment that was defaulted in November 2001. The total of all loans may not exceed \$10.3 M. The estimated maximum loan amounts are:

Estimated Maximum Loans Due to Taxpayer Default Under Proposal	
Unit Name	December 2001
Porter County	1,951,200
Portage Township	11,300
Westchester Township	22,500
Portage Civil City	122,300
Chesterton Civil Town	900
Burns Harbor Civil Town	603,500
Dune Acres Civil Town	5,200
Porter Civil Town	700
Duneland School Corporation	6,876,800
Portage Township School Corp	189,700
Westchester Public Library	395,100
Porter County Public Library	12,100
Porter Co Airport Authority	40,000
Total	10,231,300

The money used to repay the loans must come from a fund that is subject to the unit's maximum permissible levy. The loan obligation may not be used as a reason to petition for an excessive property tax levy. Furthermore, payments of the delinquent tax, if any, are considered to be property taxes received and are subject to the 102% excess levy calculations. These stipulations mean that a unit cannot use a Debt Service Fund levy or exceed its maximum levy to make loan payments. It also means that if the bankrupt taxpayer makes any payments of delinquent tax and those payments cause total property tax receipts to surpass the certified tax levy by 2%, then collections over 102% of the levy would be deposited into the Levy Excess Fund which is used to offset the following year's tax levy. Additionally, the bill requires that if loan proceeds plus any tax payments from the subject taxpayer exceed the taxpayer's liability, then the excess would be deposited into the taxing units' Levy Excess Funds.

State Agencies Affected: State Board of Finance, State Board of Tax Commissioners (Department of Local Government Finance).

Local Agencies Affected: Porter County taxing units listed above.

Information Sources: Porter County Auditor's Office; Local Government Database.